

Financial Accounting

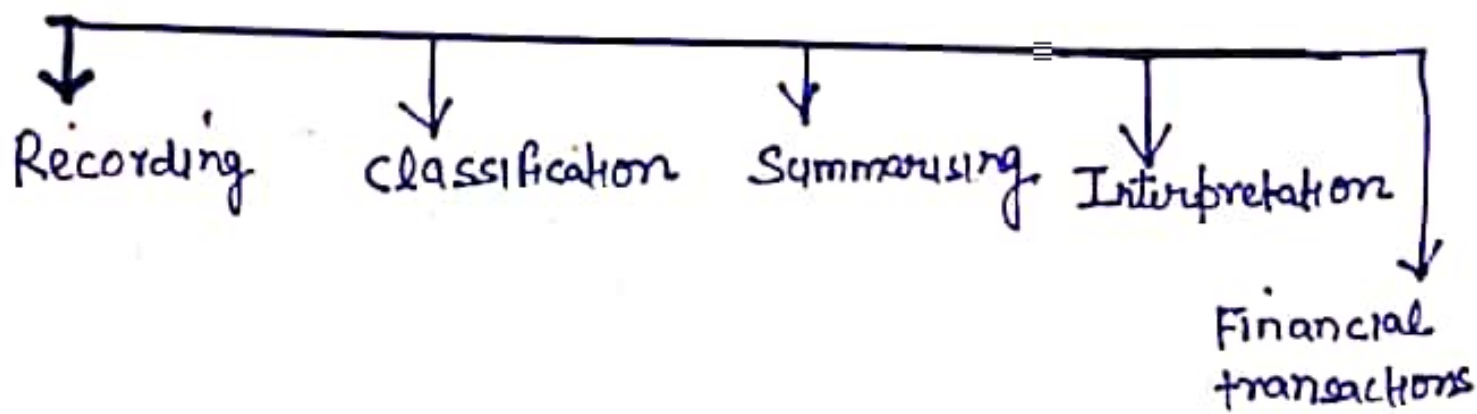
Introduction

Every business big or small, whether in the form of sole tradership, Partnership or company, needs to know as to how its financial activities are going on. It is, therefore, inevitable to maintain the records of day to day business events and examine all activities with desirability, accuracy and truthfulness. Success of a business depends to a great extent on the efficiency with which the business transactions are being recorded.

Recording, classifying and Analyzing the financial transactions in some systematic manner is termed as "Accounting" and the whole subject of Accounting is called Accountancy. The initial stage of Accounting is called 'Book-keeping'.

Characteristics of Accounting -

- (1) Accounting is the art of recording
- (2) Accounting is the art of classification
- (3) Accounting is the art of summarising
- (4) Accounting is the art of interpretation
- (5) Accounting deals with the transactions of financial nature only



Accounting concepts -

Accounting concepts are the logical notions, which guide the accountants in understanding the fundamentals

of the science and art of accounting.

- (1) Concept of Separate Entity
- (2) Concept of Going concern
- (3) Concept of Dual Aspect
- (4) Concept of Monetary Measurement
- (5) Concept of Cost
- (6) Concept of Accounting Period
- (7) Concept of Realisation
- (8) Concept of Matching the Revenues and Costs
- (9) Concept of Evidence

Accounting Conventions -

- (1) Convention of Conservatism
- (2) Convention of Full Disclosure
- (3) Convention of Consistency
- (4) Convention of Materiality
- (5) Convention of Objectivity
- (6) Convention of Cost-Benefit
- (7) Convention of Relevance
- (8) Convention of Price Stability
- (9) Convention of Accrual